

June 14, 2010

**CARE ASSIGNS 'CARE BBB-' AND PR3 RATINGS TO THE BANK FACILITIES OF MAITHAN STEEL & POWER LTD.**

**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Ratings <sup>1</sup>	Remarks
Long-term Bank Facilities	68.5	'CARE BBB-' (Triple B Minus)	Assigned
Short-term Bank Facilities	2.0	'PR3' (PR Three)	Assigned
<b>Total Facilities</b>	<b>70.5</b>		

**Rating Rationale**

The ratings draw strength from considerable experience of the promoters & group support, strategic location of plants, comfortable financial position with satisfactory gearing & liquidity ratios and improving outlook of the steel industry. The ratings are constrained by relatively small size of the company despite almost eight year old track record, risks associated with implementation of proposed project including non-achievement of financial closure, volatility in the raw material & finished goods prices, cyclicity in the steel industry and intense competition from organised & unorganised sector players. Ability of the company to improve its profitability, timely commissioning and successful operation of the proposed project are key rating sensitivities.

**Company Profile**

Maithan Steel & Power Limited (MSPL), incorporated in June 2001, is engaged in manufacturing of sponge iron and TMT Bars. It belongs to the Agarwalla family of Asansol, West Bengal with main promoter being Shri B. K. Agarwalla, having rich experience in iron & steel industry for over two decades. The Agarwalla family has few companies under the Maithan Group with established presence in steel & related sectors, besides having interest in ceramic products.

The company has decided to set up billets manufacturing facility at its existing TMT bar plant at Burdwan. The aggregate project cost of Rs.35.6 crore is proposed to be financed at a debt-equity ratio of around 1.83:1. The project is at the initial stage and is expected to be commissioned by October 2011. The company is yet to achieve financial closure.

MSPL earned PBILDT of Rs.4.6 crore (Rs.3.6 crore in FY08) and PAT (after defd. tax provision) of Rs.2.5 crore (Rs.1.4 crore in FY08) on net sales of Rs.39.6 crore in FY09 (Rs.26.0 crore in FY08).

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<sup>1</sup>“Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications”.

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